

PUBLIC DISCLOSURE

January 18, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Eagle Bank
Certificate Number: 58282

80 Heritage Lane
Polson, Montana 59860

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
San Francisco Regional Office

25 Jessie Street at Ecker Square, Suite 2300
San Francisco, California 94105

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Outstanding**.

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities. The following narrative supports this rating:

The Lending Test is rated **Outstanding**.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs.
- A majority of loans and other lending-related activities are within the institution's AA.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- The distribution of borrowers reflects, given the demographics of the AA, excellent penetration among individuals of different income levels, and among businesses and farms of different revenue sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the overall rating.
- The institution's qualified investment and services reflects favorably on the institution and provides additional support to the institution's overall "Outstanding" CRA Rating.

DESCRIPTION OF INSTITUTION

Eagle Bank (EB) is a state-chartered, minority-owned bank headquartered in Lake County of Polson, Montana. The institution operates one full-service brick-and-mortar location in a middle-income census tract and is wholly-owned by Salish and Kootenai Bancorporation (SKB), a one-bank holding company. SKB is wholly-owned by the Confederated Salish and Kootenai Tribes of the Flathead Reservation (CSKT). The institution received an “Outstanding” CRA Rating at its previous FDIC Performance Evaluation, dated October 24, 2016 based on Interagency Small Institution Examination Procedures. No merger of acquisition activities have occurred since the previous evaluation.

EB’s primary focus includes providing residential real estate loans and providing commercial and depository services to small- and medium-sized businesses. The hours of operation and availability of products and services are tailored to the convenience and needs of the institution’s customer base. The institution offers commercial, residential real estate, agricultural, and secured and unsecured personal loans. The institution has a formal Small Dollar Loan program. The program offers reasonably priced consumer non-real estate loans to qualified borrowers in amounts of up to \$2,500 with no minimum loan amount requirement. Additionally, the institution offers checking and savings accounts to consumers, businesses, and farms. EB operates six non-deposit automated teller machines (ATM) and one deposit ATM. Online banking services are available on the institution’s website, through which customers can pay bills, view account statements, and transfer funds between EB accounts.

According to the September 30, 2022 Reports of Condition and Income (Call Report), the institution had total assets of approximately \$106.8 million, total loans of approximately \$75.2 million, total deposits of approximately \$98.0 million, and total equity capital of approximately \$8.1 million. The following table illustrates the composition of EB’s loan portfolio.

Loan Portfolio Distribution as of 9/30/2022		
Loan Category	\$(000s)	%
Construction and Land Development	7,342	9.8
Secured by Farmland	2,982	4.0
1-4 Family Residential	10,038	13.4
Multi-Family (5 or more) Residential	1,131	1.5
Commercial Real Estate	34,791	46.3
Total Real Estate Loans	56,284	75.0
Commercial and Industrial	15,523	20.6
Agricultural	1,455	1.9
Consumer	1,929	2.6
Other	0	0.0
Less: Unearned Income	0	0.0
Total Loans	75,191	100.0
<i>Source: Report of Condition and Income 9/30/2022</i>		

Examiners did not identify any financial, legal, or other impediments that affect the institution's ability to meet AA credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. EB has delineated its single AA as the political subdivision of the Flathead Indian Reservation, which includes eight CTs in Lake County, one CT in Sanders County, one CT in Missoula County, and one CT in Flathead County, all of which are contiguous. All of the counties, with the exception of the one CT in Missoula County, are located in a non-metropolitan statistical area (non-MSA). Examiners will include the MSA CT in Missoula County as part of the performance with the non-MSA CTs as they are part of the same political subdivision and the CT in the MSA does not extend substantially beyond the boundary of the non-MSA area. Additionally, the MSA CT shares similar economic and demographic characteristics to the other CTs located in the non-MSA, and the institution is a designated minority deposit institution (MDI), intended to service the Native American or Alaska Native American market. The institution's AA meets the technical requirements of Part 345 of the FDIC's Rules and Regulations and does not arbitrarily exclude LMI geographies.

While EB's AA has slightly changed since the previous evaluation due to new CT designations based on the 2020 U.S. Census data, the institution's AA delineation still remains as the political subdivision of the Flathead Indian Reservation. Examiners relied on institution records, information obtained from one community contact, and publicly available information including financial and demographic data from the 2020 U.S. Census and the 2022 D&B.

FEMA designated the following major disaster declarations in the institution's AA:

- Flooding (DR-4405-MT), declared on May 1, 2018;
- Flooding (DR-4437-MT), declared on March 20, 2019;
- COVID-19 Pandemic (DR-4508-MT), declared on January 20, 2020;
- Severe Storm and Flooding (DR-4655-MT), declared on June 10, 2022

Economic and Demographic Data

Based on 2020 U.S. Census data, the institution's AA consists of 11 CTs: 3 moderate- and 8 middle-income category CTs. The AA does not include any low-, upper-, or NA-income tracts.

The following table illustrates the institution's AA demographic characteristics according to 2020 U.S. Census data and 2022 D&B data.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	11	0.0	27.3	72.7	0.0	0.0
Population by Geography	33,755	0.0	33.5	66.5	0.0	0.0
Housing Units by Geography	17,954	0.0	26.4	73.6	0.0	0.0
Owner-Occupied Units by Geography	9,435	0.0	28.7	71.3	0.0	0.0
Occupied Rental Units by Geography	3,585	0.0	38.4	61.6	0.0	0.0
Vacant Units by Geography	4,934	0.0	13.3	86.7	0.0	0.0
Businesses by Geography	3,856	0.0	29.5	70.5	0.0	0.0
Farms by Geography	377	0.0	37.4	62.6	0.0	0.0
Family Distribution by Income Level	8,743	27.0	20.2	21.1	31.7	0.0
Household Distribution by Income Level	13,020	30.0	16.6	17.9	35.5	0.0
Median Family Income MSA - 33540 Missoula, MT MSA		\$76,923	Median Housing Value			\$258,795
Median Family Income Non-MSAs - MT		\$70,967	Median Gross Rent			\$717
			Families Below Poverty Level			12.3%
Source: 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0%. (*) The NA category consists of geographies that have not been assigned an income classification.						

The following table illustrates the median family income ranges of the institution's AA, based on 2022 FFIEC family income data.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Missoula, MT MSA Median Family Income (33540)				
2022 (\$80,200)	<\$40,100	\$40,100 to <\$64,160	\$64,160 to <\$96,240	≥\$96,240
MT NA Median Family Income (99999)				
2022 (\$81,600)	<\$40,800	\$40,800 to <\$65,280	\$65,280 to <\$97,920	≥\$97,920
Source: FFIEC				

The following table depicts data obtained from the U.S. Bureau of Labor and Statistics throughout the evaluation period.

Unemployment Rates						
Area	2021	2020	2019	2018	2017	2016
	%	%	%	%	%	%
Lake County	3.8	6.1	4.3	4.3	4.6	4.9
Flathead County	4.0	7.7	4.8	4.8	5.3	5.8
Missoula County	3.4	6.1	3.3	3.3	3.7	3.9
Sanders County	4.8	7.7	6.0	6.4	7.1	8.0
Montana	3.4	5.8	3.6	3.7	4.1	4.3
National Average	3.9	6.7	3.6	3.9	4.1	4.7
<i>Source: Bureau of Labor Statistics 2016 – 2021</i>						

All counties within the AA showed a gradual decrease in unemployment rates throughout the evaluation period, with the exception of increases in 2020 due to the severe disruptions caused by the COVID-19 Pandemic. Over the evaluation period, employment opportunities were considered weaker in Lake, Flathead, and Sanders Counties, which typically maintain higher unemployment rates than in the State of Montana.

The 2022 U.S. Census Bureau data shows that the top private employers in the AA include Logan Health; St. Patrick Hospital; and Community Medical Center, all of which provide medical and healthcare services. Further, according to the 2022 Montana Labor Day Report, since February 2020, Montana experienced the 5th fastest total employment growth (4.4 percent) and 3rd fastest payroll job growth (3.8 percent) among states. However, the report also describes that Montana is continuing to face worker shortages, with monthly unfilled job openings rising and maintaining over 40,000 per month since July 2021. Additionally, the report describes that while housing prices increased by 44.3 percent from Q1 2021 to Q2 2022, average hourly earnings in the private sector only increased by 8.5 percent. With Montana's home values averaging higher than the U.S average of 34.3 percent, and with Montana's income rates averaging less than the U.S. average, the report indicates that homeownership is less affordable in Montana as compared to other parts of the nation. The report notes that the lack of investment in construction workforce throughout the state has led to the lack of affordable housing.

Competition

According to the June 30, 2022 FDIC Deposit Market Share Report, EB faces strong competition from 18 other institutions operating 86 offices within the AA. Including EB, the 19 FDIC-insured institutions account for over \$8.37 billion in total deposits within the AA. EB ranks 14th and holds 1.1 percent of the total deposit market share within the AA. The top five institutions control approximately 76.6 percent of the AA's deposit market share with a combined \$6.4 billion in deposits.

Community Contact

Examiners conducted one community contact interview with a representative from a community development organization that serves the counties of Flathead, Lake, Lincoln, and Sanders. The interview is conducted to assist examiners in identifying the demographic and economic conditions, credit and community development needs, and the financial institutions' responsiveness to these

needs within the AA. The organization serves LMI individuals and families by identifying and using available community resources and services to promote long-term self-sufficiency. The contact indicated that while the area's economic condition has strengthened since the COVID-19 Pandemic, livable wages continue to be low and housing costs continue to be high. Additionally, the contact indicated a need for affordable housing financing, services, and inventory. The contact further stated that there is a housing stock crisis seen throughout the area. The contact reiterated that there was a need for additional financial institution responsiveness to the housing credit needs of the area and that there are opportunities for increased bank involvement that would directly support individuals and families throughout the area.

Credit Needs

Considering area demographics, economic data, and conversations with institution management and a community contact, examiners determined that small business lending and affordable housing are the most significant credit needs in the AA. Although affordable housing represents a critical need of the AA, opportunities are limited due to low supply.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous Performance Evaluation dated October 24, 2016 to the current evaluation dated January 18, 2023. Examiners used the Interagency Small Institution Examination Procedures to evaluate EB's CRA performance.

Activities Reviewed

Examiners relied on public loan and financial information, 2020 U.S. Census data, 2022 D&B demographic data, one community contact, and the institution's records during the CRA evaluation. EB is not a Home Mortgage Disclosure Act reporter; however, one of the institution's lending strategies includes serving the credit needs of the Flathead Indian Reservation through Housing and Urban Development (HUD) 184 guaranteed home mortgage. The institution is a preferred lender of HUD 184 guaranteed home mortgage loans, which are specifically designed for American Indian and Alaska Native families, Alaska villages, tribes, or tribally designated housing entities. The institution also offers other loan programs including a program designed to assist Native American, Native Alaskan, or Native Hawaiian borrowers with homeownership assistance, and a program designed to assist low-income families with homeownership through asset-building tools.

Examiners determined that the institution's major product lines include home mortgage, small business, and small farm loans. This conclusion is supported by the EB's business strategy and the number and dollar volume of loans originated during the review period. Examiners did not analyze consumer loans because this loan type does not constitute a substantial majority of the bank's lending activity by number and dollar volume of loans.

A sampling of home mortgage loans and the universe of small business and small farm loans originated in 2022 were selected, analyzed, and are presented in this evaluation. The selected sample of home mortgage loans and universe of small business and small farm loans are considered to be representative of the institution's performance during the evaluation period.

The following table details the universe of each product reviewed in 2022, along with samples that were selected and analyzed, as applicable.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Home Mortgage				
2022	69	17,506	41	9,222
Small Business				
2022	28	6,498	28	6,498
Small Farm				
2022	35	1,913	35	1,913
Totals	132	25,917	104	17,633
<i>Source: Bank Records from 1/1/2022 through 12/31/2022</i>				

Home mortgage lending performance received slightly more weight in the Lending Test analysis based on the institution's business strategy and the number of home mortgage loans originated during the review period, followed by small business and small farm lending performance. Given that the AA does not contain any low-income CTs, and only three moderate-income CTs, greater weight was given to the borrower profile performance, followed by the geographic distribution performance, AA concentration, and the average net LTD ratio.

The 2020 U.S. Census data is presented for comparative purposes in the analyses of the borrower profiles and the geographic distribution of home mortgage loans showing percentages of families by borrower income level and percentages of owner-occupied housing units by tract income level in the institution's AA.

The 2022 D&B data is provided for comparative purposes in the analyses of the borrower profile and geographic distribution of loans in the institution's AA. 2022 D&B data is based on geographic location using the 2020 U.S. Census data boundaries for the total number of businesses and farms within the AA, and the reported gross annual revenues (GAR) of those businesses and farms.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage, small business, and small farm loans. While the number and dollar volume of loans are presented, examiners emphasized the number of loans as it is a stronger indicator of the number of individuals and businesses served.

At the request of the institution, examiners reviewed the institution's qualified investment and community development service activity since the previous CRA evaluation dated October 24, 2016 to the current evaluation, dated January 18, 2023.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

EB's Lending Test is rated Outstanding. Performance under the LTD Ratio, AA Concentration, Geographic Distribution, Borrower Profile, Qualified Investments and Services, and Small Dollar Loan Program support this conclusion.

Loan-to-Deposit Ratio

EB's LTD ratio is reasonable given the institution's size, financial condition, and AA credit needs. The following table illustrates the institution's average net LTD ratio since the previous CRA evaluation along with similarly-situated institutions operating within the AA with a substantially similar lending focus.

Loan-to-Deposit Ratio Comparison		
Institution	Total Assets \$(000s)	Average Net LTD Ratio (%)
Eagle Bank	106,836	70.5
Similarly-Situated Institution #1	190,557	74.5
Similarly-Situated Institution #2	177,051	62.0
<i>Source: Reports of Condition and Income 12/31/2016 through 9/30/2022</i>		

EB's average net LTD ratio, which is calculated from Call Report data, averaged 70.5 percent over the previous 24 calendar quarters from December 31, 2016 to September 30, 2022. The ratio ranged from a low of 57.2 percent as of December 31, 2016, to a high of 84.5 percent as of March 31, 2020. EB maintained a net LTD ratio within the ratios of similarly-situated institutions. Deposits for EB steadily increased since the previous evaluation, with loans originated by the institution showing a similar increase at a slightly faster rate throughout the review period.

Assessment Area Concentration

A majority of lending activity is within the institution's AA. Examiners noted that while lending within the institution's AA by number and dollar volume decreased since the previous evaluation, strong competition attributed to these reductions. Strong competition among commercial lending institutions within the AA also attributed to the discrepancy between the small business loan originations made inside vs. outside of the institution's AA in 2022. Overall, the percentage of loans originated within EB's AA reflects its commitment to lend within the communities it serves. The following table illustrates the lending performance during the evaluation period.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2022	32	78.0	9	22.0	41	5,627	61.0	3,595	39.0	9,222
Small Business										
2022	10	35.7	18	64.3	28	1,055	16.2	5,443	83.8	6,498
Small Farm										
2022	34	97.1	1	2.9	35	1,883	98.4	30	1.6	1,913
Total	76	73.1	28	26.9	104	8,565	48.6	9,068	51.4	17,633
Source: Bank record : 1/1/2022 – 12/31/2022										

Geographic Distribution

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the AA given the demographics and level of competition in the area. The bank's AA contains no low-income and three moderate-income CTs. The reasonable dispersion for home mortgage and small business, and excellent dispersion for small farm loan supports this conclusion. Examiners noted no conspicuous lending gaps in the geographic distribution of loans.

Home Mortgage Lending

The institution's geographic distribution of sampled home mortgage loans reflects reasonable dispersion throughout the AA. EB's lending penetration in moderate-income CTs at 25.0 percent is in line with the percentages of owner-occupied housing units in 2022.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low					
2022	0.0	--	--	--	--
Moderate					
2022	28.7	8	25.0	1,517	27.0
Middle					
2022	71.3	24	75.0	4,110	73.0
Upper					
2022	0.0	--	--	--	--
Not Available					
2022	0.0	--	--	--	--
Totals					
2022	100.0	32	100.0	5,627	100.0
Source: 2020 U.S. Census; 1/1/2022 – 12/31/2022 Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0%					

Small Business Lending

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA. While the percentage of small business lending performance in moderate-income CTs is less than the percentage of small businesses, demographic data and strong competition for small business lending demonstrate limited opportunity to lend in these tracts.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2022	0.0	--	--	--	--
Moderate					
2022	29.5	2	20.0	52	4.9
Middle					
2022	70.5	8	80.0	1,003	95.1
Upper					
2022	0.0	--	--	--	--
Not Available					
2022	0.0	--	--	--	--
Totals					
2022	100.0	10	100.0	1,055	100.0
<i>Source: 2022 D&B Data; 1/1/2022 – 12/31/2022 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Small Farm Lending

The geographic distribution of small farm loans reflects excellent dispersion throughout the AA. Small farm lending performance in moderate-income census tracts exceeded the percentage of small farms in the AA.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low					
2022	0.0	--	--	--	--
Moderate					
2022	37.4	15	44.1	544	28.9
Middle					
2022	62.6	19	55.9	1,339	71.1
Upper					
2022	0.0	--	--	--	--
Not Available					
2022	0.0	--	--	--	--
Totals					
2022	100.0	34	100.0	1,883	100.0
<i>Source: 2022 D&B Data; 1/1/2022 – 12/31/2022 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

Overall, the distribution of borrowers reflects, given the demographics of the AA, excellent penetration among individuals of different income levels, including LMI, and businesses and farms of different sizes. The bank offers a Small Dollar loan program designed to offer lower-cost, short-term financing, and includes streamlined and flexible underwriting. EB originated 787 small dollar loans totaling \$1,136,338 during the review period. Excellence performance in small business and small farm lending and reasonable performance in home mortgage lending support this conclusion.

Home Mortgage Lending

The distribution of home mortgage loans, given the demographics of the AA, reflects reasonable penetration among borrowers of different income levels throughout the AA. The institution's low-income lending activity in 2022 was substantially less than the percentage of low-income families inside of the institution's AA. Lending activities to moderate-income borrowers substantially exceeded the percentage of moderate-income families inside of the AA.

While the bank's performance is below the percentage of low-income families in the AA, performance context factors were taken into consideration. The AA consists of approximately 12.3 percent of families who are below AA poverty levels, which is an indicator of reduced capacity to borrow. Additionally, the median housing values exceed median family income in non-MSA areas by over four-times, which further constrained the possibility of LMI borrowers to purchase homes. Overall, EB performance reflects reasonable penetration throughout the AA.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low					
2022	27.0	2	6.3	187	3.3
Moderate					
2022	20.2	10	31.3	1,242	22.1
Middle					
2022	21.1	9	28.1	2,221	39.5
Upper					
2022	31.7	10	31.3	1,662	29.5
Not Available					
2022	0.0	1	3.1	315	5.6
Totals					
2022	100.0	32	100.0	5,627	100.0
Source: 2020 U.S. Census; 1/1/2022 – 12/31/2022 Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0%					

Small Business Lending

The distribution of small business loans, given the demographics of the AA, reflects excellent penetration of loans to small businesses with GARs of \$1 million or less. This is supported by the substantial majority of distribution of loans to small businesses with GARs of \$1 million or less both by number and dollar amount.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2022	91.0	9	90.0	989	93.7
>\$1,000,000					
2022	2.6	1	10.0	66	6.3
Revenue Not Available					
2022	6.5	--	--	--	--
Totals					
2022	100.0	10	100.0	1,055	100.0
Source: 2022 D&B Data; 1/1/2022 – 12/31/2022 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

Small Farm Lending

The distribution of small farm loans, given the demographics of the AA, reflects excellent penetration of loans to small farms with GARs of \$1 million or less. This conclusion is supported by the institution's distribution of the entirety of its small farm loans to small farms with GARs of \$1 million or less in 2022.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000					
2022	98.1	34	100.0	1,883	100.0
>\$1,000,000					
2022	0.0	--	--	--	--
Revenue Not Available					
2022	1.9	--	--	--	--
Totals					
2022	100.0	34	100.0	1,883	100.0
<i>Source: 2022 D&B Data; 1/1/2022 – 12/31/2022 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Response to Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

QUALIFIED INVESTMENTS AND SERVICES

In addition to the Small Institution Examination Procedures criteria, the institution requested to have its qualified investments and services in the AA considered as part of the evaluation. During the previous evaluation period, the institution made a qualified investment in the form of a revenue bond, which provided revitalization and stabilization in a moderate-income CT through the City of Polson's Urban Renewal Plan, in the amount of \$160,000. As the qualified investment was made prior to the current evaluation and is still outstanding, examiners considered the current book value of the investment, at \$119,056, for the evaluation. Additionally, the institution provided 12 instances, or 24 hours of financial expertise or technical assistance to LMI individuals. All of these instances were provided through the FDIC Money Smart Program, which provides participants with practical knowledge, skill-building opportunities, and resources they can use to manage their finances. The institution's qualified investment and services reflects favorably on the institution and provides additional support to the institution's overall "Outstanding" CRA Rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The institution's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act (FHA) and the Equal Credit Opportunity Act (ECOA). Examiners did not identify any discriminatory or other illegal credit practices.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.